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RECIPROCITY: THE CANADIAN ATTITUDE

I

Twenty years ago the bitterest election in the history of Canada was fought on the question of closer trade relations with the United States. One of the great historic parties pledged itself, in that election, to endeavor to secure "full, free, and unrestricted reciprocity with our kinsmen in the United States." The opposing party, while condemning unrestricted reciprocity as but the prelude to political union, was compelled by the force of public sentiment to profess a desire to obtain a treaty of more limited scope. Today, neither Canadian party would for a moment contemplate adopting the Liberal proposals of 1891; the Conservative party leaders urge that no treaty, of whatever scope, should be made, while the Liberal party stand practically where their opponents stood twenty years ago. Probably a majority of the people are in favor of closer trade relations, but there is little demand for a sweeping measure of reciprocity, and few believe it of the vital importance it was held in the early nineties.

This growing indifference to tariff rearrangements has not been due to any feeling of hostility toward the United States on the part of the people of Canada. On the contrary, it has been accompanied by a steady growth in friendliness and an ever-growing intimate social and commercial intercourse. The complacent professions of superior political and social virtue

by which Canadians once sought to balance their admitted industrial backwardness are rarely indulged in now that prosperity has mellowed criticism and increased temptation; frank recognition is made of the stimulus and guidance afforded by the endeavors the Republic is making to solve the problems common to both democracies. Roosevelt and Taft are names which call up more concrete images than Asquith or Balfour. The important trade unions are international; laymen's missionary movements and professional baseball leagues know no boundary line; the edicts of the *Ladies' Home Journal* on fashion or morality run north as well as south of forty-nine. Canadians and Americans attend the same plays, eat the same breakfast foods, sling the same slang. The trade reports of the two countries bear weightier evidence of this intimacy of intercourse. In 1890, Canada's imports for consumption from the United States were valued at \$51,365,661; in 1900, at \$102,080,177, and in 1910, at \$217,502,415—doubling every decade. In the latter fiscal year, 58.8 per cent of Canada's total imports came from the United States. Canada, with her barely eight million people, is surpassed by the United Kingdom and Germany alone among the customers of the United States, and equals South America, Asia, and Africa put together. British North America takes 25 per cent of the electrical apparatus, 30 per cent of the automobiles, 40 per cent of the structural iron and steel, and 98 per cent of the anthracite coal exported by the United States. The figures of trade in the reverse direction are not so favorable, the United States taking only \$104,199,675 of Canadian domestic produce in 1910, as against \$139,482,945 exported to the United Kingdom, but the responsibility for the less favorable showing is certainly not Canada's.

To understand the drift away from reciprocity, in the face of this closeness of commercial and social relations, it is necessary to pass in review, first, the factors making against reciprocity, and second, the factors in its favor, and to estimate the probable resultant of the two groups of forces.

First among the anti-reciprocity factors is the memory of the half-century of rejection by the United States of Canadian

offers of reciprocal concession. It is a record which no American can read with pride in the generosity or in the foresight of the men who shaped the policy of the United States. Doubtless in the long list of Canadian overtures since the lapse of the 1854 Reciprocity Treaty, in the pilgrimage to Washington of Galt and Howland in 1865, of Rose in 1869, of Macdonald, in connection with the Washington Treaty, in 1871, of Brown in 1874, of Tupper in 1887, of Bowell, Foster, and Thompson in 1892, and the Joint High Commission of 1898-99, some of the proposals made by the Canadian negotiators were, from the American protectionist point of view, one-sided and unacceptable. But one has only to recall the terms of the one negotiation which went the length of a draft treaty, only to be summarily rejected by the United States Senate—the Brown-Thornton negotiations of 1874—to realize how far Canada was prepared to go. The draft treaty provided, in addition to reciprocity in fishing, coasting, and canal privileges, for the free exchange of lumber, coal, and all farm products, and of a very wide range of manufactured goods, including agricultural implements, boots and shoes, furniture, carriages and wagons, iron and steel, locomotives and steam-engines, leather and saddlery, paper and paper-making machinery, etc. Whatever the motive for the rejection of the Canadian advances, whether indifference in the press of domestic affairs, or reluctance to make any openings in the close-jointed fabric of protection, or the desire to force Canada to sue for political union as the price of access to American markets, each and every southward pilgrimage came to nothing. Rather, to less than nothing; for the end of the matter, on the part of the United States, was the passing of the McKinley and Dingley tariffs, hitting hard what export trade Canada had managed to develop. The Payne-Aldrich tariff, with its provision for negotiating with the maximum club, did not improve matters. The claim that the concessions made by Canada to France in the treaty of 1907 constituted undue discrimination against the United States seemed difficult to understand in view of the traditional American interpretation of most favored nation treatment as

meaning the concession of favor for favor. It is true that the tariff reductions made by the Dominion to prevent the enforcement of the maximum rates—a reduction of $2\frac{1}{2}$ per cent on nuts, raisins, perfumes, feathers, and other commodities, aggregating only 3 per cent of American exports to Canada, and made to the rest of the world as well as to the United States—were unimportant and face-saving, though they left an uneasy feeling that in making any concession whatever Canada had ceded the principle. It is true, also, that throughout the negotiations President Taft and his agents displayed a friendliness and conciliatoriness which won Canadian confidence, and that President Taft fell in with the expressed Canadian determination to initiate no more trade arrangements by making the advances which have led to the present negotiations. Yet a single year of presidential urbanity cannot suffice to blot out the memory of fifty years of aloofness, a memory sedulously kept alive by the Canadian protectionist press; both memory and sensitiveness, it may be observed, vary in inverse ratio to the size of the nations concerned. "The Payne-Aldrich tariff," declared an American critic in a recent number of this journal, "makes no provision for demanding or bargaining for any new minimum rates suited to our own export needs. It sends our bargainers into the international market armed with a crowbar when they ought to have a set of burglars' tools to get the results sought."¹ Long used to the crowbar approach, Canadians find it difficult to drop all suspicions of the kit of even the most gentlemanly of presidential Raffleses. Doubtless once a fair, if even limited, treaty, were passed, and a new precedent established, this feeling of historical resentment would lose most of its force.

A second factor is the development of other foreign markets. Once Canada knew only London and Washington, but today Paris and Berlin and Tokio have come to have meaning. The action of the Canadian Pacific this year in establishing a steamship line between Montreal and St. John and Buenos Ayres is significant of this wider interest. So far as the fiscal

¹ H. P. Willis, *Journal of Political Economy* (March, 1910), p. 194.

apparatus for the expansion of foreign trade is concerned, the Dominion is blessed with a four-story structure. At the top is the surtax, one-third above the general tariff, for use against specially unfriendly nations; next comes the general tariff; then the intermediate tariff, ranging from $2\frac{1}{2}$ to 5 per cent below the general tariff, for countries willing to grant equivalent concessions; and, finally, the British preference, averaging one-third below the general tariff, for the members of the imperial family which deserve it—not including Australia, for example. The surtax has been applied only against Germany. In 1865 Great Britain and Germany made a treaty providing that no higher duty should be charged on German than on British goods, in any British colony. In spite of this treaty, Canada in 1897 granted Britain, or strictly speaking, any country which admitted Canadian goods at rates as low as those prescribed in the special schedules, a preference in her markets, and Britain in the same year denounced the treaty. In retaliation Germany deprived Canada of the advantages of her conventional tariff rates, and in 1903 Canada retorted by imposing the surtax. After seven years of decreased trade on both sides, Germany took the initiative in restoring peace and in March, 1910, the surtax was suspended in return for the granting of conventional rates on some twenty-five articles of Canadian export, preparatory to the negotiation of a more extended arrangement. The intermediate tariff, first introduced in 1903, merely provides negotiating limits; the intermediate rates may be granted on some or on all commodities. It was first applied in the treaty with France arranged in 1907 and ratified in 1910, conceding Canadian intermediate rates on a wide range of French products in exchange for French minimum rates on Canada's chief exports; on a few commodities a special rate—constituting in reality a fifth tariff level—was granted by Canada; ribbons, for example, on which the preferential, intermediate, and general rates are $22\frac{1}{2}$, $32\frac{1}{2}$, and 35 per cent respectively, are admitted at 25 per cent. By the operation of the most favored nation clause the French terms were automatically extended to twelve countries, of which Austria-Hungary and Argentina are the most important, and by

special orders in council to Belgium and the Netherlands. In 1910, again, a provisional treaty with Italy extended intermediate rates on eighteen Italian commodities in return for conventional rates on the same number of Canadian products. In all these directions a steady development of Canadian trade is looked for.

It is, however, the prospect of closer trade relations with the United Kingdom that has proved the chief counter-attraction to the claims of the United States. The value of the British market, as at present developed, is undoubtedly great, though its importance is exaggerated by many Canadians who have not observed that for the past six or seven years it has not developed as rapidly as the American market, as may be seen from the following figures:

EXPORTS OF CANADIAN DOMESTIC PRODUCE

	To United Kingdom	To United States
1890.....	41,499,149	33,291,207
1900.....	96,562,875	57,996,488
1903.....	125,199,980	67,766,367
1906.....	127,456,465	83,546,306
1910.....	139,482,945	104,199,675

But it is not the market of free-trade Britain, where Canada must compete on equal terms with the wheat of the United States, the cattle of Argentina, and the butter of Denmark, but the market of protectionist Britain, with a preference for Canadian over foreign natural products, that is most stressed today. The movement for closer trade relations with the Mother Country is in large part a reflection of the growth of imperial sentiment in the past twenty years, a sentiment which with the vast majority of Canadians takes the form of a desire for continued partnership with the other states of the empire, on a basis of full and free autonomy and equality, and with a small but vociferous minority, appears as a demand for a highly centralized and self-sufficient empire. On Canada's part trade preference is an established fact; the action of the Liberal government, in granting a substantial reduction on Brit-

ish imports, thus implementing in part their promises of free or freer trade and cutting the ground under the feet of their ultra-loyal opponents, is not likely to be reversed. On Britain's part, colonial preference, involving a complete reversal of the tried and proved fiscal system of half a century, is still a dream of the future. Some Canadian protectionists, guilty of the same doctrinaire fallacy which has rightly been charged against free traders who have maintained that a fiscal system adapted to the needs of one country must suit all, press protection and preference on Britain in season and out of season. They urge that, from Canada's standpoint, imperial preference is not only preferable to reciprocity with the United States but incompatible with it. If American wheat were permitted to enter Canada free, it would be impossible for Great Britain to grant Canadian wheat a preference without virtually extending the boon to the United States. The weight to be attached to this argument depends on the expectation held of the coming and the permanence of British preference, and on this point, as will be noted later, opinion in Canada differs.

II

Not only is Canada getting into touch with Europe, and realizing the value of the British market, present and to come; she is discovering herself, coming to a new confidence in her unaided strength, a new determination to build up, at whatever cost, a strong and united nation in the northern half of the continent. From the despondency and pessimism of the early nineties the pendulum has swung to the other extreme of optimism and not infrequently of youthful bumptiousness. The rapid development of the West, the inrush of immigrants —a hundred thousand a year of them from the United States—and the consequent growth of trade and industry, are producing in Canada, as they earlier produced in the United States, a feeling of national self-sufficiency. And just as the growth of imperial sentiment has given strength to the movement for closer inter-imperial trade relations, the stronger development of national sentiment has given rise to a stronger movement

for the upbuilding of the home market. This sentiment affects the Canadian reciprocity situation in each of its three important aspects—the export of natural products, the import of manufactures, and the development of transportation facilities.

The new national feeling finds one manifestation in the conservation movement. For this movement Canada is deeply in the debt of the United States. Both the early waste and the late repentance of the republic taught their lesson, and it was the invitation of President Roosevelt to the North American Conference on Conservation in 1908 which called the subject most forcibly to official attention. Thanks to the greater flexibility and speed of the cabinet system, Canada has been able to put her lesson into practice sooner than her master. The Commission of Conservation, founded in 1909, under the vigorous chairmanship of Hon. Clifford Sifton, and amply financed, has conducted an active campaign of education on the conservation of natural resources, including the health of the people, and with the Canadian Forestry Association, and other official and unofficial apostles, has brought it about that conservation is now as blessed a word as Mesopotamia.

The bearing of this movement on the trade issue is that it has given ground for the argument that reciprocity in natural products would mean the exhaustion of Canada's resources, especially of her forests and fisheries. It is curious that it never dawns on the advocates of imperial preference, who urge this objection, that precisely the same charge may be brought against the Chamberlain proposals, which offer a preference only on natural products and explicitly look to the stereotyping of Canada's present relatively undeveloped industrial position.²

² "Canada has been protective for a long time. The protective policy has produced its natural result. The principal industries are there, and you can never get rid of them. They will be there for ever. But up to the present time the secondary industries have not been created, and there is an immense deal of trade that is still open to you, that you may still retain, that you may increase. In Australasia the industrial position of that country is still less advanced. The agricultural products of the country have been, first of all, developed; accordingly Australasia takes more than Canada. In the Cape, in South Africa, there are, practically speaking, no industries at all. Very well, now I ask you to suppose that we intervene in any stage of the process. We can do it now; we

As applied especially to the export of products of the forest, the argument has little validity. Those who most strongly oppose the shipment of pulpwood, for example, are strongest in favor of producing and exporting paper. If Canada is to supply the demand of the United States for paper, it makes no difference, from the standpoint of conservation, except in so far as mills nearer the forest make more economical use of the smaller cuttings, whether the mills are erected north or south of the border. The road to conservation lies rather in more vigilant protection against fire, in the creation of forest reserves, and in strict regulation to insure that the annual cut is replaced by the annual growth. Valid or not, the argument has had great popular weight, and with the more avowed protective motive has had much to do with the action of Ontario, Quebec, and British Columbia in virtually forbidding the export of pulpwood, by inserting a clause in leases of the vast crown lands of the provinces, stipulating home manufacture. This provincial legislation is of course beyond the scope of the federal government; no negotiations between Washington and Ottawa can affect it. The Ottawa government could no more induce Ontario to forego its policy than the United States could fulfil the pledge of the 1854 reciprocity treaty to induce New York to abolish its canal tolls or than the United States today could alter the local smoke ordinances which Nova Scotia coal operators urge bar their coal from Massachusetts markets.

From the United States, too, have come the example and the pressure which have led to the development of protection in Canada and the consequent opposition to reciprocity in manufactured products. There is no question of the effect of might have done it with greater effect ten years ago. Whether we can do so with any effect, or at all, twenty years hence I am very doubtful. We can intervene now. We can say to our great colonies: . . . After all, there are many things which you do not now make, many things for which we have a great capacity for production. Leave them to us as you have left them hitherto. Do not increase your tariff walls against us; pull them down where they are unnecessary to the success of this policy to which you are committed. Let us in exchange with you have your production in all these numberless industries which have not yet been erected."—MR. J. CHAMBERLAIN, at Glasgow, October 6, 1903.

American influence: "if we cannot have reciprocity in trade," declared Sir John Macdonald in the campaign which led to the adoption of the "National Policy" of protection, "let us have reciprocity of tariffs." Every argument in favor of protection which has ever done duty in the United States—infant industries, superiority of home market, pauper labor, diversification of industry, British (==American) gold, dumping—still passes current in Canada. Protection is held to be a success: have not over a hundred branches of important American establishments been set up in Canada in recent years, representing an investment of \$200,000,000 and employing over 20,000 men? The one smokestack seen outweighs the ten unseen which the free trader declares would be built were not production hampered by tariff and tax. And when Senator Beveridge, speaking in favor of reciprocity to an Indiana audience, declares: "There must be reciprocity with Canada—our tariff policy already has driven American manufacturers across the Canadian borders, built large plants with American capital on Canadian soil, employing Canadian workmen to supply the trade. That capital should be kept at home to employ American workingmen to supply the Canadian demand," he clinches the argument with the average Canadian. Protection is held to be necessary still, with the American trust alert to flood the Canadian market and swamp all competition; it is pointed out that the only result of the government's action in taking off the duty on galvanized wire for fencing has been to enable the American manufacturers to force terms from the Canadian producers for division of the market; the price to the farmer has not fallen.

There is much strength in the protectionist position. There is, indeed, no question that Canada has paid, in political corruption, in the burdening of the consumer, and in the retarding of the development of the primary industries, a very heavy price for her mills and factories. Yet it seems clear that if she desired to have both full-fledged industrial development and political independence the price had to be paid. The dominant factor in the situation has been the powerful and overshadowing competition of the United States. Were Canada to throw

down her tariff walls while the United States kept hers high, there is little question that the manufacturer with the market of ninety plus the market of eight million could crush out the manufacturer limited to the smaller field. Were both countries to reduce their tariffs, the average Canadian manufacturer would still be under a handicap, unless the permanence of the lowered duties was so assured as to warrant his enlarging his production to meet the new opportunities. Once the United States definitely and permanently adopts a low tariff, however, Canada cannot afford to do otherwise. The United States led Canada into protection; the United States can lead the way back to freer trade.

In the field of transportation, it is further urged, reciprocity would make against Canadian interests. The Dominion has spent lavishly in building up railway and canal systems running east and west. Throw down tariff barriers, and traffic would be diverted to American transcontinental lines or turned north and south rather than east and west. American ports would be built up at the expense of Canadian. To quote an ardent American advocate of reciprocity whose utterances have been most valuable ammunition for the Canadian opponents of reciprocity, Mr. H. M. Whitney: "New York, Portland, and Boston are the natural outlets for the foreign trade of eastern Canada. The elevators for storing and handling Canadian grain should be on this side of the line and the steamers of the Canadian Pacific and Grand Trunk Pacific should, in the winter time at least, find their home port in Boston, New York, and Portland." Strong argument doubtless, in Boston, New York, and Portland; not so favorable in Halifax, St. John, and Montreal; "natural outlets, it may be," comments the *Monetary Times* of Toronto, "but not national outlets"—a sentence which summarizes both the strength and the weakness of the anti-reciprocity argument. In view of the immense possibilities of increased traffic, of the existence already of the bonding system, and of the ownership by Canadian roads of thousands of miles of railway in the United States, this transportation argument seems rather thin. In preparing to build the Hudson's Bay Railway and the

Georgian Bay Canal, and to develop the Pacific route for the shipment of prairie grain, Canada has shown that there can be no vested interests in transportation nor any special sanctity for certain points of the compass.

In addition to these general arguments, two special considerations have had much weight. In the first place, it is urged, if the United States genuinely desires reciprocity, let it start even by lowering its duties to the Canadian level before negotiating; let it prove as good a customer of Canada as Canada is of the United States. "Tell your people to keep a stiff upper lip," declared Governor, or rather Candidate, Foss to a Toronto newspaper, "and they will get better treatment from the United States. In this matter it will be our duty to make the advances to Canada, for she has tried all these years for better trade relations and been repelled. . . . I believe that it is the duty of the United States to reduce her duties to the level of those of Canada as a basis upon which to negotiate. This would indicate our good faith." The Canadian tariff, on dutiable goods alone, averages 27 per cent, the American 42 per cent; the Canadian tariff on both dutiable and free goods, 16 per cent, and the American 24 per cent. This argument, it may be noted, refers to the general tariff level; the American duties on Canadian imports alone, largely food stuffs and raw materials, only 3 per cent manufactures, compare more favorably with the Canadian duties on American imports alone, largely manufactured goods. In ten years Canada has bought from the United States approximately \$1,600,000,000 worth of goods and the United States has taken only \$800,000,000 worth from Canada. Expressed in per capita terms the disparity is even more striking; the average Canadian bought \$25 worth of American products, the average American \$1 worth of Canadian goods. True, this argument might very plausibly be turned to prove that every Canadian has found in the United States a market for \$125 worth of his wares while the average American found vent for only \$20 of his products in Canada; but it is the other side of the shield that is seen in Canada. There is more weight in the second consideration advanced, that

it is inopportune to negotiate just when the United States is on the point of lowering its tariff. Why give favors for concessions which the United States is bound to make any way, in the interests of its own consumers? Why pull the Republican party's chestnuts out of the fire by rushing through a reciprocity treaty before March 4? It is plainly to Canada's interest to stand pat.

III

The conditions thus briefly summarized constitute one aspect of the Canadian situation, the side of the protected manufacturer, of the transportation and financial magnate, and of many a sincere and disinterested believer in protection and reciprocal imperial preference as essential to national and imperial unity. And in a country like Canada, with its "big three" railroad companies dominating the transportation situation, with its branch-bank system centralizing capital and influence in Toronto and Montreal, with the close connection that exists between bank and trust company and merger, with the powerfully organized Manufacturers' Association always on the alert, with the disinterested imperial feeling of the man on the street and the itching for knighthood or baronetcy of the social aspirant, these factors carry tremendous weight. Such weight did they carry that until a year or two ago it was the fashion to say, when the matter was considered at all, that reciprocity was as dead as annexation. It has become clear of late, however, that the demand for freer trade relations is very much alive. There are still great masses of urban opinion unorganized and voiceless, but the farmers of east and west are organizing in determined and insistent opposition to the dominant interests.

In this revival both external and internal influences have been at work. In some degree the movement has been an echo of that world-wide revolt against protection which has made 1910 the blackest year in recent tariff annals. The unexpected vitality of free trade in Britain, in spite of the able and insidious attack, has heartened Canadian sympathizers; the repeated

victories of the free trade forces by relatively small margins have had more moral effect than the former unquestioned acquiescence of both British parties in the Cobdenite tradition. The growth of tariff reform sentiment in the United States has had a double effect: it has made reciprocity cease to be the academic question it remained while only one of the two parties necessary to the bargain was in a bargaining mood, and it has directly stimulated and reinforced the Canadian revolt against the same protectionist evils. Especially in the West the influence of the progressive movement in the United States has been felt not only in opposition to the tariff but in radical denunciation of all the forms of privilege and exploitation and in a strong demand for the extension of government ownership.

Foreign example would count for little were there no grievances in Canada to stir discontent. The farmer is loud in his complaint of exploitation. To prove that farming does not pay he points to the steady abandonment of the farms of eastern Canada, to the stationary population of the maritime provinces, with a decrease in the acreage under cultivation in New Brunswick, to the departure of ten thousand emigrants a year from Quebec to the United States, to the decrease of 40,000 in the rural population of Ontario in a decade, to the decrease in the export of dairy products and live stock, and, if the answer is made that the home market is absorbing more, to the decrease in production in certain lines in Ontario. Grant there is here a serious condition, how diagnose it? The trouble is with the farmer, say the protectionists. He does not know enough about his complicated business of farming; he does not farm intensively enough, does not underdrain enough, does not go enough into mixed farming, does not keep accounts. The farmer will not deny there is room for improvement in his methods but it does not exactly soothe his ire to be told by the protected interests whom he is trying to throw off his back that if he will only dig harder he will not notice the burden. The trouble is with the labor supply, say others; the farmers' sons and farm laborers have been drawn to the West by the lure of free farms, or to the towns by the prospect of higher

wages and shorter hours and more varied life. Here there is admitted truth, but it is held to be not sufficient to explain the situation. According to the farmers' official representatives, the trouble lies in restricted markets, and in exploitation by railroad and elevator company and middleman in what is sold and by tariff-fostered manufacturers in what is bought.

IV

Grant the grievance and the partial truth of the analysis; what of the remedy? As for the extension of the markets, the farmer believes in developing both the British and the American outlets. He is, however, making no demand for preference in the British market. While recognizing the value of such an advantage, if possible to secure and to retain, he does not want to ask the struggling millions of Britain to pay their pennies to bonus his loyalty. He doubts whether Britain is going to pronounce for protection, and recognizes that if it should come the advantage to the Canadian producer would be insecure; it would be whittled down from within, since if the British landlords are strong enough to force protection against the foreigner they will in time insist on protection against the colonial, possibly with ornamental higher rates against the foreigner; it would be whittled down from without, since the use of the tariff for retaliatory and negotiating purposes is an integral part of the Chamberlain program, and in the bargaining with Russia and Argentina concessions would necessarily be made in favor of their natural products. Content, then, with a fair field and no favor in the market of Britain,³ the Canadian farmer sees no reason why he should not also seek the market of the United States. He recognizes that the

³ "We do not ask for any preference in the British market for our produce in return, since we regard free trade between Canada and Great Britain as being in the best interests of the development of Canada; nor do we suggest or desire that Britain should tax foreign food stuffs for our benefit. . . . Canadian farmers are willing to do their part in the maintenance of the British empire by supplying the British people with the food products they require in open competition with any other country in the world."—Memorial presented to Parliament by National Council of Agriculture, December 16, 1910.

growth in population and the increasingly industrial character of the great republic offer an invaluable market, incomparably better than in the days of the reciprocity treaty of 1854, when both countries were predominantly agricultural and competitive. He knows that the current American prices are better than his home prices. He sees that when by an error in the Payne-Aldrich tariff the United States duty on cream was lowered from three cents a pound to five cents a gallon, the Canadian southward exports of cream rose in value in a single year from \$8,870 to \$570,300. The desirability of the American market is to him axiomatic.

As for the relief from his exploiters, he looks to government and co-operative ownership to oust the middleman and to lowered tariff rates on British and American goods to check the manufacturers' rapacity. The western farmer is much more radical than his eastern brother. He has already forced the Manitoba government to adopt provincial ownership of interior elevators and he urges the Dominion government to assume the ownership of terminal elevators. He has government owned urban and rural telephones in all the prairie provinces and is demanding government packing-houses. A government owned and operated railroad to Hudson's Bay, as a short route to Europe, has his fervent advocacy. In the Grain Growers' Grain Company of Winnipeg, he has a vigorous co-operative marketing agency, and he is urging the passing of Dominion legislation making the formation of co-operative companies simpler and less expensive. On the tariff, except for scattered fruit or vegetable growers who fear American competition, East and West are one. Reduction of its burdens is the foremost plank in the farmer's platform. The plea that a tariff must be protective to secure a revenue is hopelessly riddled: the problem of meeting the deficit if reduction is made not merely to a tariff for revenue basis but to absolute free trade is not met so satisfactorily. The representatives of the farmers profess themselves willing to bear direct taxation, in what form is not specified; some westerners look to land taxes as an unfailing source, but there is as yet no crystallization of opinion on the subject.

The plea that protection is a political and national necessity is little regarded. The farmer declares that if the protected industries are adapted to the country they should now be able to stand alone; if not adapted, he declines any longer to pay the price of the hopeless artificial coddling. Perhaps the strongest force making against protection is the recent outbreak of mergeritis. After years of secret price agreement, open consolidation has recently become epidemic among Canadian manufacturers. From January, 1909, to September, 1910, twenty companies, merging one hundred and thirty-five individual companies, were formed, with a capitalization of \$200,000,000. In nearly every case the new capitalization has included millions of water; in very many cases the merger operates under cover of a stiff tariff duty. The farmer might possibly be induced to pay high prices for patriotic reasons, if convinced that high prices were necessary for a reasonable return to the manufacturer; he cannot by any persuasion or by any buncombe be induced quietly and contentedly to pay high prices to enable cement and cotton combines to pay dividends on outrageously excessive capitalization or to enable merger promoters to swell the ranks of Montreal and Toronto's hundred millionaires.

The significant feature in the present situation is not the existence of grievances or the recognition of the sources of evil and their remedies; it is the new strength organization is giving to enforce a hearing of the case against protection. In the West the Grain Growers' Association of Saskatchewan, the Grain Growers' Association of Manitoba, and the United Farmers of Alberta, strongly manned and vigorously officered, have become in the last five years a powerful force in provincial politics and are now making their weight tell in the federal field. In Ontario the less representative Grange, with dairy-men's associations and farmers' institutes and co-operative associations voice a somewhat less insistent but increasingly vigorous demand. The recently formed National Council of Agriculture, federating the provincial associations, provides the Dominion-wide organization needed. The demand of the West for lower tariff was brought to notice in Sir Wilfred Laurier's western

tour in the summer of 1910. More dramatic and more effective both on public and on parliamentary opinion has been the recent spectacular descent upon Ottawa of eight hundred farmers' delegates, mainly from the prairie provinces and from Ontario. Meeting in convention in Ottawa to frame their platform, marching in imposing procession to the parliament buildings, filling the Commons' chamber to overflowing, they presented their case to parliament with a vigor and assurance new in Canadian agricultural annals. "Your masters have come to town," a veteran Quebec leader of the fight announced to the assembled members of parliament. The demands deserve to be presented in full. They ran as follows:

CHANGES IN THE TARIFF

1. Reciprocal free trade between the United States and Canada in all horticultural, agricultural, and animal products, spraying materials, fertilizers, fuel, illuminating and lubricating oils, cement, fish, and lumber;
2. Reciprocal free trade between the two countries in all agricultural implements, machinery, vehicles and parts thereof;
3. For an immediate lowering of the duties on all British imports to one-half the rates charged under the general tariff, whatever these may be. That any trade advantages given the United States in reciprocal trade relations be extended to Great Britain;
4. For such further reduction of the remaining preferential tariff as will ensure the establishment of complete free trade between the Dominion and the Mother Country within ten years;
5. That the farmers of this country are willing to face direct taxation in such form as may be advisable to make up the revenue lost under new tariff relations.

HUDSON'S BAY RAILWAY

Whereas the necessity of the Hudson's Bay Railway as the natural and the most economic outlet for placing the products of the Western prairies on the European market, has been emphasized by the Western people for the past generation, and, whereas the Dominion Government has recognized the need and importance of the Hudson's Bay Railway and has pledged itself to its immediate construction and has provided the necessary funds entirely from the sale of Western lands;

And, whereas the chief benefit to be derived from the Hudson's Bay Railway will be a reduction in freight rates in Western Canada due to actual competition, which could be secured only through Government ownership and operation of the Hudson's Bay Railway;

And, whereas anything short of absolute public ownership and operation of the Hudson's Bay Railway will defeat the purpose for which the road was advocated, and without which it would be in the interest of Western Canada that the building of the road should be deferred;

Therefore, be it resolved, that it is the opinion of this convention that the Hudson's Bay Railway and all terminal facilities connected therewith, should be constructed, owned and operated in perpetuity by the Dominion government, under an independent commission.

CO-OPERATION

Resolved, that in the opinion of this convention, it is desirable that cheap and efficient machinery for the incorporation of co-operative societies should be provided by Federal legislation during the present session of Parliament.

THE BANKING ACT

Whereas, it is generally believed that the Bank Act, forming, as it does, the charter of all Canadian Banks for a ten year term by its present phrasing prevents any amendment involving curtailment of their powers enjoyed by virtue of the provisions of such charter be it resolved: That this Ottawa Convention of Delegates desire that the new Bank Act be so worded as to permit the same to be amended at any time and in any particular.

TERMINAL ELEVATORS

Whereas, we are convinced that terminal elevators as now operated are detrimental to the interest of both the producer and consumer as proved by recent investigation and testimony of important interested bodies, we, therefore, request that the Dominion Government acquire and operate as a public utility, under an independent commission, the terminal elevators of Fort William and Port Arthur, and immediately establish similar terminal facilities and conditions at the Pacific Coast, and provide the same at Hudson's Bay when necessary; also such transfer and other elevators necessary to safeguard the quality of export grain.

The farmers' movement has put the protectionist forces on the defensive and stiffened the backbone of the advocates of reciprocity. The general public discounts much of the hysterical western denunciation of the bloated barons of industrial feudalism; they are skeptical of the seriousness of the farmer's grievances, estimating his prosperity, naturally, by the higher prices they pay for his products rather than by what he receives for them from the middlemen; and they are not certain that freer

trade with the United States would entirely cure those rural ills which are quite as manifest in the older sections of the United States itself. But they recognize that good may always be better, that the United States market, if not of the life-and-death importance it once was thought, would be highly desirable, and that freer entry of the necessary farm machinery and equipment would make for increased and cheapened production in the industry which for many a year to come must be the dominant interest of Canada.

The Canadian tariff policy which is likely to result from these conflicting forces may broadly be indicated. It is clear that there is little immediate likelihood of the abandonment of protection by either of the great political parties. It is equally probable that protection has reached the climax of its power; it will henceforth be on the defensive, facing a public more discriminating in its advocacy, more unwilling to grant tariff or bounty privileges only to see them capitalized by merger promoters, more skeptical of the wisdom of bolstering up a secondary million-dollar industry at the expense of hampering a fifty-million-dollar industry. The gradual movement toward freer trade which may be expected does not necessarily mean, however, as it would have meant twenty years ago, closer trade relations mainly with the United States. The farmers' organizations have shown their appreciation of the trend of sentiment in Canada and their political capacity in advocating lower rates on British products as the primary source of relief. By this policy they have taken the wind out of the sails of the professional imperialists. There is no likelihood that the sweeping reductions on British goods demanded will be granted, but it is along this, the line of least resistance, that progress may most rapidly be made.

So far as the United States is concerned, the important thing is to make a start. It is a true instinct that leads the Canadian manufacturer to oppose even reciprocity in natural products. But in spite of his forebodings and warnings, the Canadian people are not likely to reject the opportunity of closer trade relations. The Dominion government and the party be-

hind it are prepared to agree by treaty or concurrent legislation to a mutual reduction or abolition of duties on a wide range of farm, forest, and fisheries products, and to the granting of the intermediate tariff rates on a limited range of manufactured articles. The same concessions will doubtless be made to Great Britain and to certain countries enjoying favored nation privileges, but as these countries are not serious competitors in the commodities affected the concessions made to them will be nominal. If a limited arrangement of this character can be agreed on, the chapter of fiscal estrangement between the two neighboring democracies will be closed, a new precedent set, and the way made clear for such further extensions of this initial measure as its success and allayed prejudices and fears will justify.

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